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THE UNITED STATES COUNTER DRUG STRATEGY FOR PERU

BY

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United States Army

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Peru is the world's largest producer of coca leaf, and therefore a critical part of the United States counter drug effort. Peru faces overwhelming problems of a depressed economy, poverty, unemployment, crushing foreign debt, and weak institutions. A brutal guerrilla insurgency threatens the survival of the nation. The guerrillas have embraced the drug trade as a source of revenues for their cause. Peruvian security forces have responded inappropriately to the guerrillas' atrocities with human rights violations of their own. In this context the United States is seeking to reduce and then stop the flow of illicit drugs out of Peru through programs under the Andean Strategy. Although the enhanced funding of the programs has just begun, the early indications of success are unfavorable. The air interdiction of drug trafficking flights by the Peruvian Air Force shows some promise, but is not resourced adequately. Lack of security for alternative development will frustrate attempts to shift to legitimate enterprises. Peruvian corruption and lack of will to embrace the counter drug effort raise doubts of the strategy's validity.

USAWC MILITARY STUDIES PROGRAM PAPER

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**THE UNITED STATES COUNTER DRUG STRATEGY FOR PERU
AN INDIVIDUAL STUDY PROJECT**

by

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ABSTRACT

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Peru is the world's largest producer of coca leaf, and therefore a critical part of the United States counter drug effort. Peru faces overwhelming problems of a depressed economy, poverty, unemployment, crushing foreign debt, and weak institutions. A brutal guerrilla insurgency threatens the survival of the nation. The guerrillas have embraced the drug trade as a source of revenues for their cause. Peruvian security forces have responded inappropriately to the guerrillas' atrocities with human rights violations of their own. In this context the United States is seeking to reduce and then stop the flow of illicit drugs out of Peru through programs under the Andean Strategy. Although the enhanced funding of the programs has just begun, the early indications of success are unfavorable. The air interdiction of drug trafficking flights by the Peruvian Air Force shows some promise, but is not resourced adequately. Lack of security for alternative development will frustrate attempts to shift to legitimate enterprises. Peruvian corruption and lack of will to embrace the counter drug effort raise doubts of the strategy's validity.

INTRODUCTION

The United States (US) has developed a national drug control strategy to exert pressure on all phases of the illegal drug problem simultaneously. Without designating a priority effort, the strategy seeks to disrupt the flow of drugs through all available means. Stopping drugs at the source has particular logical appeal. If the initial drug production can be restricted, the argument goes, all down stream activities should be reduced and easier to control.

Because of this logic, the US has formulated a counter drug strategy for Peru, currently the largest source of coca leaf in the world. In its simplest terms, the world's production of cocaine goes down by two thirds if Peru stops growing coca. Unfortunately this simple logic of stopping drugs at the source quickly becomes extremely difficult to implement due to the complex realities of the situation. As Clausewitz observed, "everything in war is simple, but the simplest thing is difficult."¹

The counter drug strategy for Peru is in direct competition with other US interests there. It also conflicts with Peru's survival national interests. Due to Peru's overwhelming problems and disadvantages, progress made in the counter narcotic arena may exacerbate the critical state of the nation. To make

the situation even more frustrating, many of the obstacles to a successful campaign against narcotics in Peru are beyond the US capability to influence.

This paper first reviews the situation in Peru as it pertains to the counter drug strategy. It then briefly describes the US government's four point Andean Strategy to diminish the flow of drugs from Peru. An analysis of the strategy follows. It concludes that the US counter drug strategy for Peru is not adequately resourced to succeed in reducing drug flow.

BACKGROUND INFORMATION

Peru is a large country roughly the size of Alaska. It is the source for approximately sixty percent of the world's coca leaf. The largest concentration of coca cultivation is in the Upper Huallaga Valley (UHV) on the eastern slopes of the Andes, some 400 kilometers north east of Lima. The UHV is approximately the size of Massachusetts. The UHV is well suited for coca production because of its climate, soil and remoteness.² Although it is currently the best and largest area of coca cultivation, coca is grown elsewhere in Peru of nearly equal quality.³ The current estimate is that about 50 percent of Peru's coca originates in the UHV.⁴

Cocaine production in Peru begins with coca cultivation. Coca plants take between 12 and 24 months to mature so that their leaves can be picked. The leaves can be harvested between two and six times per year, depending on the altitude and climate.

The coca farmers themselves convert the dried leaves into coca paste or the leaves are sold to traffickers who make the conversion into coca paste. The conversion is normally done close to the farms to reduce the problem of transporting bulky leaves.⁵ It takes about 135 kilograms of dry leaves to yield one kilogram of coca paste.⁶

The conversion of coca leaves to coca paste is a low technology, low overhead operation. Usually a pit is lined with plastic for mixing the leaves with chemicals. The required precursor chemicals, sodium carbonate and kerosene, are common and readily available. Only a few unskilled laborers, about five, are needed to perform the simple process of mixing, draining and drying the precipitate which is coca paste. The traffickers' normal practice is to fly the paste in small private aircraft to more sophisticated laboratories in Colombia for processing into cocaine hydrochloride (HCl).⁷

The president of Peru estimates that as many as 250,000 Peruvian families cultivate coca.⁸ Called cocaleros, they can earn about \$2000 per year from each hectare of coca, far more than farmers cultivating legitimate crops.⁹ Even though the traffickers provide the cocaleros relatively high incomes, the coclaeros receive as little as ten percent of the coca dollars entering Peru.¹⁰ In addition to the cultivation of coca, numerous other jobs in the Peruvian economy are derived from or supported by the coca industry. They include transportation, security, sales of herbicides and chemicals, accounting, legal

practices and many others.¹¹ The drug trade employs some 15 percent of the national work force.¹²

The Peruvian economy continues to be in crisis. When President Fujimori assumed office in 1990, inflation was over 7600 percent, the economy was in recession, the foreign debt was \$14 billion in arrears and unemployment was rampant.¹³ President Fujimori has made remarkable progress in the face of overwhelming problems. His "Fujishock" economic programs brought hyperinflation down to only 140 percent for 1991.¹⁴ He resumed payments on international debts to the International Monetary Fund, World Bank and Interamerican Development Bank to demonstrate Peru's desire to rejoin the world's fiscally responsible nations and to qualify for more credit. Even so Peru's international debt is a staggering \$20 billion, one of the highest in South America. The citizens of Peru are paying for the faulty economic policies of previous administrations. The United Nations Economic Commission for Latin America estimates that real wages have fallen by two-thirds since 1987. Fully half of Peru's 22 million people live in absolute poverty. About 30 percent are unemployed and up to 80 percent are underemployed.¹⁵

The Peruvian economy depends heavily on drug monies to keep it afloat. US government analysts estimate that between \$4 million and \$18 million coca related dollars enter the economy daily. An incredible 98 percent of the total liquid funds may be coca generated.¹⁶ Peruvian economists estimate that the cocaine

industry is worth \$2 billion to Peru's economy each year or more than 30 percent of the legal exports.¹⁷

In addition to the economic crisis, two radical insurgencies compound Peru's desperate situation. The Shining Path or Sendero Luminoso (SL) is a fanatical Maoist guerrilla organization waging a brutal insurgency to overthrow the government. Members of the group number between 5,000 and 15,000 with a substantial number of supporters. Working primarily in rural areas, SL seeks to eliminate the state's control by murdering and intimidating elected leaders, judges, security forces and the civilian populace. Priests, missionaries, relief workers and foreign aid personnel have been targeted and driven out by the blood bath. As many as 25,000 have died at the hands of the insurgents or in the security forces responses to the violence. The insurgency has cost the Peruvian economy \$20 billion. The dangerous situation has caused Peru to be ranked as the world's riskiest country for business by Business Risk International. Several nations have withdrawn or reduced their foreign aid workers in country due to the threat.¹⁸

SL has established a marriage of convenience with the coca growers. The SL provide cocaleros protection from the law enforcement forces and the narcotic traffickers who might try to take advantage of them. For a fee they have inserted themselves in the coca leaf trade which earns them upwards of \$20 million per year for their insurgency efforts.¹⁹ Although use of drugs is an anathema for SL members, the guerrillas have become an

integral part of the illicit drug trade as they raise revenues for their cause.

The Tupac Amaru Revolutionary Movement (MRTA) is the second major insurgent group active in Peru. It is smaller and less influential than SL and comparatively less brutal. It has dabbled at the fringes of the narcotics business but was effectively run out of the UHV by the SL. MRTA supports coca growing farmers through existing organizations.²⁰ It continues to be a small player in narcotics trade as it tries to destabilize the government.

SL has been successful in eliminating governmental control from much of rural Peru. President Fujimori has declared about half of Peru to be emergency zones and placed the zones under military control. There the military and police have responded to the SL brutality with human rights violations of their own. According to human rights organizations the security forces have a record of summary execution, murder, arbitrary detention, rape, torture and intimidation.²¹

US AND PERUVIAN NATIONAL INTERESTS

President Bush identified international trade in drugs as a major threat to the US national security in his 1991 National Security Strategy. Within the same document he identified other US interests which apply to Peru. The US favors a free and democratic Peru where political freedom flourishes. The US seeks to encourage trade and investment policies which promote economic development and social progress. Encouraging an accountable

government which ensures human rights is also a US interest in Peru.²²

President Fujimori does not have much flexibility in determining Peru's primary interests because his nation's very survival is at risk. Peru's priority interest is to revive its depressed economy. Its second survival interest is to stop the ongoing insurgencies which threaten the state. Stopping illegal narcotic trafficking can be no higher than the third priority for Peru since drug trafficking does not immediately threaten the nation's survival. Improving human rights is also a national interest, but failure to do so does not threaten the government's survival in the short run.

US COUNTER DRUG STRATEGY

The National Drug Control Strategy contains the President's concept of how the US will reduce illegal drug use. Although the strategy recognizes the need for reducing both the demand for drugs and the supply of drugs, it leaves most of the effort in the demand arena to the states and private organizations. At the federal level, two dollars are spent on supply reduction for every dollar spent on demand reduction.²³ The strategy directs the attack on all parts of the drug problem simultaneously without specifying a main effort or priority.²⁴

The strategy contains international initiatives. A subset of these is the Andean Strategy which applies to Peru. The Andean Strategy seeks to strengthen laws, legal institutions and programs to apprehend, prosecute, convict and punish drug

traffickers. It aims to increase the effectiveness of foreign law enforcement and security activities so that they can take action against the drug traffickers. Within the Andean Strategy are four major objectives:

To strengthen the political will and institutional capabilities of the Andean governments to enable them to confront the illicit cocaine trade.

To work with the Andean governments to make their intelligence, military and law enforcement activities more effective against the drug trade.

To inflict significant damage on the drug trafficking organizations in the Andean countries.

To strengthen and diversify the legitimate economies of the region to enable them to overcome the effects of eliminating the income from illegal drug trade.²⁵

US COUNTER DRUG STRATEGY FOR PERU

The US counter drug objective for Peru is the reduction and ultimate elimination of illicit coca production. The US supports the government of Peru's (GOP) counter drug programs which include seedbed eradication, alternative development, law enforcement, demand reduction and public awareness. The US strategy's central concept is to depress the gate price of coca leaf sales thereby making legitimate alternative crops and enterprises more attractive to the coca growers. Through interdiction and disruption of the drug traffic, excess supplies

of coca leaf should result with an attendant drop in coca leaf value on the market.²⁶

The components of the strategy are organized under the Andean Strategy's four objectives with Objective I being building political commitment and institutional capability. The enhancement of political commitment is achieved primarily through the assistance programs. The US makes all of its aid, economic and military, contingent upon Peru's continuing progress in the counter drug effort.²⁷ US support is essential for Peru to have continuing access to the international financial institutions critical to Peru's economic recovery. Peru cannot afford to lose US support. As for developing institutional capabilities, the US Agency for International Development (AID) has a critical role in Objective I programs. It is in the third year of the administration of justice program which supports Peru's judicial reforms to develop a national register of detainees, increase cooperation between prosecutors, judges and police, and improve access to legal services. It also improves court information systems, helps implement new procedural codes and provides needed equipment. The International Criminal Investigation and Training Assistance Program trains Peruvian judges, prosecutors and police officers in police and investigative techniques.²⁸

Under the Andean Strategy's Objective II programs to increase the effectiveness of the military and law enforcement activities in Peru, the Drug Enforcement Administration (DEA), Department of State Bureau of International Narcotic Matters

(INM) and Department of Defense (DOD) are the key actors. Primarily through coordination, training programs and with equipment, they seek to improve Peru's counter drug capabilities. Key sub-objectives include the isolation of growing areas, exclusion of precursor chemicals, identification and destruction of laboratories and processing centers, control of airports, control of air corridors and reduction of net coca production through aerial application of herbicides and coca seedbed eradication where possible.²⁹ The 1992 International Narcotic Control Strategy Report indicates a US supported law enforcement shift to target trafficking infrastructure and major facilities.³⁰ DEA agents coordinate with and accompany Peruvian law enforcement units on narcotic raids under the Operation Snowcap program. DOD has supplied special forces mobile training teams to develop the skills of the Peruvian police. INM provided funding for the police base in the UHV at Santa Lucia and supplies aviation support for counter drug missions.³¹

Pursuant to Objective III, the strategy for Peru seeks to damage the trafficking organizations. This objective is closely linked to Objective II. Sophisticated intelligence technology and assets are applied to identify significant leaders and assets for the law enforcement activities to strike. DOD provides a tactical analysis team to Peru to assist in COUNTER DRUG mission planning.³²

Objective IV is the largest budgetary component of the strategy for Peru. It seeks to strengthen and diversify the

economy and foster sustained economic growth. AID has the lead role in the alternative development strategy. To provide short term stabilization, the strategy calls for balance of payment assistance and food aid for low income groups. To promote sustained economic growth across the economy, it seeks investment and export promotion projects and small scale enterprises to encourage private sector participation. There are nation building programs to meet the special needs of the coca producing areas such as road, power and water systems, agricultural production and off-farm enterprise development. AID also conducts programs which increase narcotic awareness in Peru to educate the society regarding the problems and costs of narcotics.³³

INDICATIONS OF PROGRESS

1991 was to have been the first year of enhanced program funding to implement the counter drug strategy in Peru.³⁴ (See Table 1 below.) Because of the US Congress' concerns regarding human rights and progress in Peru's counter drug programs, the release of the first tranche of Fiscal Year 1991 funds was delayed. Only \$20 million of the Economic Support Funds (ESF) was delivered in December 1991. A portion of the Foreign Military Funds (FMF) was released in January 1992.³⁵ It is too early to draw any conclusions regarding the performance of these recently funded programs. However, some programs have been ongoing and there is merit in evaluating their performance and trends.

Table 1.--US Economic, Military, and Counter-Narcotics Program Assistance to Peru (All figures \$ million)³⁶

	FY89 actual	FY90 actual	FY91 actual	FY92 request
Economic	49.7	70.1	157.2	187.7
Military	3.0	1.5	24.5	39.9
INM	10.5	10.0	19.0	19.0
Total	63.2	81.6	200.7	246.6

AID's administration of justice program has trained 120 judges, prosecutors and police officers and provided the means to help make the judicial system more efficient. Even so, surveys indicate that 79 percent of the public still has no confidence in the judicial system. 75 percent of the people in prison are awaiting trial and the average time for the judicial process is two years and two months.³⁷

In May 1991 the government of Peru (GOP) passed a new penal code. Important improvements include statutes providing for the seizure of assets used in or derived from drug trafficking. Also, conspiracy to traffic drugs is now illegal and subject to prosecution. In spite of these advances, the new laws were not exercised. The GOP did not prosecute any major traffickers in 1991. The American embassy in Peru still characterizes the Peruvian justice system as weak.³⁸

Peru reached bilateral accord with the US to provide a mechanism for the exchange of information on cash transactions. GOP also imposed regulations regarding cash transfers within its

financial institutions. These should provide greater opportunity for visibility of money laundering schemes. In December 1991, the GOP amended its legal code to criminalize money laundering. Another legal action indicating positive intent was Peru's ratification of the 1988 United Nations' Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.³⁹

The levels of corruption in Peru continue to cause concern. In 1991 over 500 police officers were disciplined, dismissed from the service or tried for corruption. There were two reports of Army personnel firing on Peruvian National Police (PNP) conducting counter drug operations in the UHV, but the number of clashes between Army and PNP was down in 1991. President Fujimori continues to stress the moralization of his government as one of his priorities.⁴⁰ Favorable indications of success remain to be seen.

Most of the indicators of law enforcement performance were not favorable. The total cocaine Hcl and coca base seizures declined from 8.5 metric tons in 1990 to 5.17 metric tons in 1991. The number of coca base laboratories destroyed also declined from 151 to 90. The PNP did conduct a highly successful raid against a laboratory in January 1992, seizing 300 kilograms of cocaine Hcl in addition to arms and cash. PNP and Snowcap operations now extend beyond the UHV to interdict and harass trafficker operations.⁴¹

1991 may have been a turning point for air interdiction in Peru. The Peruvian Air Force forced down 55 aircraft in the UHV

including six flights trafficking narcotics to Colombia. During Operation Support Justice, US ground based radar worked with the Andean countries to detect and interdict flights. Even more important than the assets seized was the effect on the gate price of coca leaf. The purchase price of coca derivatives fell in Peru, indicating that the air operations were having an effect. Another good sign was the resumption of Peruvian Air Force air interdiction flights originating from the Santa Lucia base using their Tucano aircraft.⁴²

The Peruvian Army has been reluctant to participate in the counter drug effort. In 1991, however, they did provide logistical support to three major police counter narcotic operations. They also provided security and a liaison officer to the Santa Lucia police base for coordination of narcotic efforts. The Peruvian Army cooperated with the PNP by providing security escort for heavy construction equipment working in support of police operations.⁴³

Coca cultivation fell by only 500 hectares from the 1990 figure to 120,800 hectares due largely to seedbed eradication efforts. In spite of the danger to government employees, Peru destroyed 201,967 square meters of seedbeds in UHV which would have yielded 13,400 hectares of mature coca plants. Nonetheless, the potential net production of coca leaf rose 13 percent to 222,700 metric tons in 1991.⁴⁴

Economic reform is certainly the bright spot for Peru. The World Monetary Fund cites Fujimori's program as the most thorough

in Latin America since World War II.⁴⁵ The US and Japan raised about \$1.1 billion to fill Peru's short term external financing gap. Peru has reestablished ties with the international financial community, established policy favorable for private sector development and liberalized international trade. The economy grew after three years of negative growth. Despite this progress, the economy is depressed and unemployment remains high.⁴⁶

AID's programs fed one of every seven Peruvians in 1991. Beyond that, AID's programs encouraged alternative development in the UHV. There, 14,000 farmers received technical assistance on legitimate crops, 1,700 demonstration agricultural plots were established, 2,100 agricultural loans were distributed and 4,700 land titles were awarded. Improvements were made to the infrastructure, too. Twelve bridges were reconstructed and 1,256 kilometers of road were refurbished on the access road connecting the UHV and the coast. AID constructed 38 water wells, 16 medical clinics and 566 latrines.⁴⁷

ANALYSIS

The results under Objective I represent a small degree of progress. Without the laws against conspiracy to traffic drugs and money laundering, the judiciary had no tools to attack the higher levels of the drug trafficking organizations. Now they have the penal code to do so. However, the lack of prosecutions even after the passage of the new laws is disturbing. The American embassy in Lima attributes the lack of action to

corruption, lack of will and weak institutions.⁴⁸ It is probably beyond the US capability to influence these factors preventing significant judicial actions.

Peru fully understands that the counter drug effort is the overriding US interest in Peru and that all assistance is conditioned on Peru's progress against the drug trade. Because Peru is absolutely dependent on US support to revive its economy, GOP has no alternative but to acquiesce to the US interests.

Almost all of the indicators declined in the Objective II/III areas of law enforcement. Laboratory and airstrip destruction, coca eradication and seizures of coca derivatives and precursor chemicals were all down in 1991. Even more disturbing was the spread of coca cultivation beyond the previously established areas.⁴⁹ An explanation for the declining performance indicator could be the change in the focus of the law enforcement agencies. Rather than striking random or old targets, the law enforcement agencies are targeting selected processing facilities with higher impact to the trafficking organizations. This may also be contributing to the spread of coca cultivation. Known as the balloon effect, the squeeze on the UHV is causing coca production to move into new areas as predicted at least two years ago.⁵⁰ The impact of these trends is that expanded coca production will require the stretching of scarce counter drug resources even farther.

The air interdiction concept demonstrated promise in 1991. It took advantage of the concentrated stream of coca traffickers

as they flew from Peru to Colombia. There were reports that the trafficking pilots demanded a significant bonus to fly into the UHV during the operation. The significant statistic is that the sale price of coca leaf fell while Operation Support Justice was in progress.⁵¹

One of the problems associated with the air interdiction concept is that there are too many alternatives available to the traffickers. According to sources at INM, the traffickers shifted to night flights to avoid interdiction during the test program. They also altered their routes by flying east into uncontrolled Brazil, then north to Colombia. While these alternatives can be blocked, it will be very expensive. Resources for the air interdiction campaign are not currently included in the program.

Brazil presents another difficulty which must be overcome before the air interdiction effort can succeed. Peru's neighbor has been very uncooperative in joint drug control efforts. Without Brazil's participation and cooperation, the air interdiction concept is not viable.

The interdiction efforts must be sustained long enough to cause extended reduction in the value of coca leaf. If price depressions are only transient, the coca farmer will continue to cultivate coca in hopes of later sales. Since it takes about two years for a coca plant to mature for harvesting, farmers may elect to keep some land under coca cultivation to be prepared for

profitable fluctuations in the price cycle. Sustaining the air interdiction effort is not currently part of the funded program.

Lack of progress in controlling airfields is cause for concern. It is a low cost endeavor which is already within the Peruvians' capability to execute. The reason for their failure to perform this apparently simple task is the corruption of the Army elements in the drug trafficking towns.⁵² Poor wages and support contribute to the soldiers' temptation to accept drug traffickers' bribes.⁵³ Because of US Congressional concerns over US support involvement in the Peruvian counterinsurgency, the legislature has severely restricted FMF assistance to the Peruvian Army. Without support, the Army's security of the airports will not improve by itself.

The Objective IV economic assistance trends are mixed. Peru's economy grew 2.4 percent in 1991.⁵⁴ Although this is an encouraging sign, the estimate is that it must grow five percent per year for twelve years to regain its 1987 level. So far, Fujimori has been an effective leader in continuing the painful but necessary economic reforms. The critical question will be how long he can hold the support of the citizens as they bear the brunt of the depressed economic conditions.

To be successful in achieving long term, broad expansion, Peru's economy will have to attract foreign investment. In Peru the risk to capital investment is physical as well as fiscal. Investors must have confidence that they will not lose their stake to insurgent violence either directly or through the

overthrow of the government. As long as Peru cannot ensure the security of investments, the risk probably will be unacceptable to international investors and they will tend to look elsewhere for more attractive opportunities.

The second economic impact of the lack of security is evident at the microeconomic level. Success of alternative economic enterprises depends on their physical security. SL targets the enterprises specifically because they erode the insurgency's constituency. So far the security forces have not been able to protect the projects and there have not been appreciable shifts to legitimate enterprises. The US embassy reports that the projects have been curtailed due to the threat. As discussed above, the Army has been severely restricted in terms of receiving US support. Without support for security, alternative development cannot be productive and coca production will continue.

CONCLUSIONS

The air interdiction concept holds the best hope to stem the flow of coca products out of Peru. The Peruvian Air Force demonstrated its willingness to take action against the traffickers. However, the concept is seriously under-resourced to make it effective and sustainable. It will be very expensive to bring the air interdiction capability up to a satisfactory level. Peru will need radar coverage of its extensive north and east borders to detect aircraft. It will need interceptors more

capable than the aircraft they will be pursuing. Both are expensive assets not currently in the program.

Peru's ability to control and secure regions within its borders must be enhanced. It is improbable that the government can reduce drug trafficking in areas that it does not control. This will require resourcing security forces to confront and control the SL and MRTA. Unless governmental control is extended over the coca producing areas, the substitute economic alternatives cannot be developed and the drug control strategy will fail. Security enhancement is also critical to the Peruvian economy on a national scale. The risk to capital is too high to attract foreign investors until the insurgents can be controlled.

Apparently a significant portion of the GOP lacks the will to engage in the counter drug effort as evidenced by the extensive corruption, lack of prosecution of major drug traffickers and lack of action to control government airports. In these cases, Peru already possesses the capability to take action, yet it fails to do so. One must question, therefore, the wisdom of enhancing Peru's capabilities to embrace counter drug operations on the assumption that they will employ them. Without Peruvian will to take the difficult, painful and dangerous measures required to counter illicit drug trafficking, adding capability is a waste of US resources.

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